

THE SITUATION IN IRAN

not used

Prime Minister Mossadeq continues to consolidate his position in Iran after the eruption of violence that for a moment threatened to unseat him. Although there no longer appears to be serious overt opposition, Mossadeq is maneuvering cautiously, which suggests that he does not yet feel certain of his full control.

Kashani

Mullah Kashani, National Front leader and president of parliament, who was one of the chief instigators of the recent pro-Shah demonstrations, has for the present withdrawn. When Mossadeq began to reassert himself, Kashani prevented a Majlis quorum for several days by contesting a change of the Majlis guard officer without parliamentary approval. He soon abandoned this maneuver and began to pay lip service to the unity of the National Front.

Mossadeq, also apparently willing to forego a test of strength in the Majlis, has maintained that a bill introduced by opposition deputies, which reaffirms support of the Shah and the Prime Minister, is evidence of confidence in him. Mossadeq was voted a year's extension of special powers by parliament in early February. These powers give him the authority to operate without consulting the Majlis, although that would be a move contrary to his belief in parliamentary procedures.

Army

There continues to be dissatisfaction in the army circles which gave considerable support to pro-Shah demonstrations

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during the past ten days; rumors persist that a military coup is being planned. Ambassador Henderson believes there may be some willingness to undertake a coup in the Shah's behalf even without support. Mossadeq's proven ability to block such plans makes the success of such an effort doubtful. The purge of the armed forces is continuing and the new Chief of Staff, Riahi, is reportedly taking orders from Mossadeq.

#### Other Opposition

Small rightist groups, such as the Pan-Iranists and the Sumka, as well as old line politicians and unorganized segments of the population with pro-monarchical sentiments, which supported the Shah last week, have now fallen into line.

#### Tudeh

There is no evidence that the Tudeh gained politically from the recent disturbances, although it presumably acquired further experience in public demonstration techniques. The party's unsolicited support of Mossadeq was rebuffed, but it used the opportunity to promulgate anti-Court, anti-American, and anti-Western propaganda. Tudeh does not as yet appear ready to attempt a coup. Mossadeq has given no indication he will permit Tudeh to collaborate with him.

On Monday, 4-6000 Tudeh followers in Tehran gave an orderly and impressive two-hour demonstration in memory of Stalin.

Mossadeq's request to Ambassador Henderson on 8 March to withdraw American Point IV personnel from the south Caspian area aids and abets Tudeh anti-American propaganda.

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Shah

Mossadeq's differences with the Shah remain unresolved. An eight-man committee, including high religious dignitaries, is at present attempting to mediate. Prince Abdor Reza and his wife have left for India. Queen Soraya is reportedly ready to leave "for reasons of health". Various other members of the Court have already left the country and the Shah may still leave. Regardless of the compromise which may be achieved, between Mossadeq and the Shah, the Prime Minister will continue his efforts to reduce the Shah's powers and to eliminate the political influence of the monarchy.

Tribes

Despite reports of tribal restiveness during the past ten days, there is no evidence that the tribes or their leaders were directly involved in the Tehran maneuvers. On 8 March a new commander was sent to the Bakhtiari tribal area, with orders to bring in the rebellious tribal chief who has been resisting army efforts to disarm his tribe.

Oil

On 9 March, Mossadeq told Henderson that he considered the oil conversations deadlocked on the basis of the British offer of 20 February and planned to announce that fact publicly. He suggested that the oil proposals and the exchange of notes be published simultaneously in all three capitals on 11 March, but agreed to postponement in order to give Henderson time to report to Washington.

Any Iranian announcement on the failure of the oil talks will probably be phrased in a manner to generate popular support

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for the government, and it may encourage more anti-American  
sentiment.

Mossadeq's intentions to announce the failure of the  
current oil talks does not indicate that he may not reopen  
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Mossadeq also appears willing to continue talking  
with Henderson, whom he is again pressing for direct American  
aid.

#### Conclusion

→ <sup>in Iran</sup> There is little chance that a military coup<sup>we also believe that</sup> will be  
attempted or that it could succeed. The Shah will probably  
not exert active political influence.

~~While~~ Mossadeq may, for the time being, retain his control, ~~but~~  
unless he negotiates an oil settlement with Britain or secures  
considerable American aid, Iran's declining economy will make  
his position more difficult. He <sup>can</sup> ~~may~~ be expected to continue  
his present tactics to maintain himself in power, and if nec-  
essary employ more dictatorial measures,

*although this is not the first time in the past  
few years when Iran's collapse seemed imminent,  
the situation now seems more disheartening than  
ever. A Communist seizure of power remains  
a possibility.*

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Outstanding Anglo-Iranian differences in the oil negotiations

Compensation: British demand compensation for loss of future profits, (AIOC concession extended to 1993). Compensation to be determined in accordance with the principles of any British nationalization law. Mossadeq will pay compensation for loss of actual oil installations and refinery but not for loss of future profits. He will not accept a British law as basis, although he originally suggested it.

Settlement: British want adjudication by the International Court of Justice. Mossadeq now wants direct negotiation between the two parties.

Payment: British suggest compensation by periodic payments based on 25 percent of the gross receipts from sale of oil until amount determined by Court has been paid. Mossadeq offers to pay 25 percent of net proceeds for a fixed period of years to be determined by mutual agreement.

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